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Institutional Dimensions of Poverty Reduction

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Efforts to reduce poverty would be more successful if they were energized more by demand than supply — by seeing the poor less as beneficiaries of government largesse and more as customers working their way out of poverty.

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Public Sector Management and Private Sector Development

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The Bank's central operating paradigm, writes Salmen, is the "miracle of the market" — those who need goods and services offer prices that stimulate others to supply them. The principle of demand organizes service delivery to the rich and powerful, who use their purchasing power or connections to stimulate those services that interest them.

But people-oriented service organizations are usually supply-driven providers that try to induce clients to consume what is judged to be good for them. Experience suggests that poverty-reduction efforts would be more successful if they were energized more by demand than supply.

The Bank should see the poor less as beneficiaries, passively receiving government largesse, and more as customers who they can help enable to pay the costs — with their time, labor, and capital — for what they see will better their own lives.

Rather than gather only numbers, the Bank and its borrowers should try to understand and support the informal institutions through which poor people act. It should take advantage of such qualitative techniques as focus group interviews, social marketing, beneficiary assessment interviews, and participant observations (successful uses of which Salmen describes).

The Bank should encourage the development of a "thickening social web" of nongovernment organizations (NGOs), including community associations, cooperatives, church groups, peasant leagues, and the like.

The Bank should use more local personnel — including local independent consultants (individually or through NGOs or research institutions) — to understand grassroots realities that Bank staff have difficulty mastering in several two- or three-week missions a year. Failure to understand local formal and informal institutions can mean an operation does not take hold or is unsustainable.

The Bank should more fully use country Bank offices to gather information on local conditions and institutions. A research analyst posted in Bolivia for a year, for example, came to understand the involvement of local institutions, particularly NGOs, as mechanisms for outreach to the poor.

In staffing, there is no substitute for exposure to the poor if the goal is to understand poverty and what might be done about it. Some aspects of poverty defy objective analysis — for example, the fear of debt that arises from insecurity about unstable employment and earnings, and the importance of the family in shaping school attendance rates and family planning decisions.

Practical ways to provide this exposure include staff sabbaticals geared to increasing Bank staff exposure to poverty conditions and activities, and allowing more exploratory time during project identification to do reconnaissance work off the beaten path.

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INSTITUTIONAL DIMENSIONS OF POVERTY REDUCTION

1. Poverty reduction is so vast as to be considered synonymous with development.[1] The absolute poor--those with income-per-person too low to afford 2250 calories per day and thus at risk of poverty-induced undernutrition--were estimated for Asia, excluding China, Japan and the Middle East, at 393 million, or 40 percent of the population in 1980.[2] Figures for much of Sub-Saharan Africa (SSA), and parts of Latin America--Northeast Brazil and several Andean countries--would be similar or represent even greater percentages of national or regional groups. Development which does not reduce poverty would leave poor close to half the developing world.

2. As vast as the numbers are, the poor are often unseen; if seen, they are rarely understood by development agencies. Effective poverty reduction must be based on a sound and thorough understanding of the poor, as President Conable recently said, "as people, not statistics."[3] Peoples' lives are not revealed by quantitative expression; the life of a poor person has far more dimension than can be gleaned from calorie intake or disposable income figures. It entails such crucial matters as security, freedom from harassment, and dignity.[4]

3. Poor people must be seen and indeed become part of the solution rather than part of the problem if poverty reduction is to reach the majorities of the developing world. Development institutions must catalyze the energies of the poor so as to increase their opportunities for self-fulfillment. The commitment to understand, serve and involve the poor provides them the wherewithal to help themselves. Instrumental to achieving this goal is strengthening the institutions, both formal and informal, through which the poor must work.

4. Institutions are even less visible and concrete than poverty, but, similar to poverty, institutions represent a continuing challenge for work in development. Institutions have been defined as "complexes of norms and

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[1] Attila Karaosmanoglu, "Operational Approaches to Asia's Development Agenda," The Bank's World, August, 1989, p. 12.

[2] Michael Lipton, "The poor and the Poorest," World Bank Discussion Papers, World Bank, Washington D.C., p. 4.

[3] Address to the Board of Governors, September 26, 1989, pp. 3, 13.

[4] Robert Chambers, "Poverty in India: Concepts, Research and Reality," Discussion Paper 241, Institute of Development Studies, January 1988, pp. 6, 12.